

Members

Rep. William Crawford, Chairperson
Rep. John Aguilera
Rep. Lawrence Buell
Sen. Lawrence Borst
Sen. Lindel Hume
Sandra Bickel, Advisor



COMMISSION ON STATE TAX AND FINANCING POLICY

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MEETING MINUTES¹

Meeting Date: October 19, 2004
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington
St., 404
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Rep. William Crawford, Chairperson; Rep. John Aguilera; Rep. Lawrence Buell; Sen. Lawrence Borst; Sen. Lindel Hume; Sandra Bickel, Advisor.

Members Absent: None.

List of Exhibits

The following exhibits were discussed or referred to during the meeting:

- Exhibit 1: Meeting Agenda
- Exhibit 2: Department of Local Government Finance Report and Recommendations
- Exhibit 3: Indiana Uniform Property Tax Management System -- Feasibility Study
- Exhibit 4: Letter and Attachments to the Commission from the Retired Indiana Public Employees Association
- Exhibit 5: House Resolution 7 (2004)

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

- Exhibit 6: Testimony of Lynn Duggan
- Exhibit 7: Testimony of Michael Nicholson
- Exhibit 8: Testimony of Peter Kaczmarczyk
- Exhibit 9: Statistics on Indiana's Working Women
- Exhibit 10: Proposed Final Report of the Commission

Call to Order and Preliminary Remarks

Rep. William Crawford, Chairperson of the Commission, called the meeting to order at approximately 10:20 am.

Rep. Crawford announced his decision not to consider item number (4) on the agenda concerning a proposal to restore banking of unused levies authorized for the Family and Children's Fund.

Report and Proposals from the Department of Local Government Finance

Rep. Crawford recognized **Dan Mathis**, Legislative Liaison with the Department of Local Government Finance (DLGF). Mr. Mathis referred to Exhibit 2 throughout his presentation to the Commission.

Mr. Mathis reported on the progress of counties in performing assessments and billing for years 2002 pay 2003, 2003 pay 2004, and 2004 pay 2005. Exhibit 2 includes information on each of these years. In the course of responding to the questions from Commission members, Mr. Mathis introduced **Melissa Henson**, Director of the Budget Division of DLGF, and **Kurt Barrow**, Director of the Assessment Division of DLGF. Ms. Henson and Mr. Barrow also responded to questions throughout the presentation.

Mr. Mathis reported on the proposed annual adjustment regulation, published at 27 Indiana Register 4050 (September 2004). This regulation establishes methods for making annual adjustments to the assessed value of real property in the years occurring between general assessments. DLGF held a public hearing on the proposed rule on September 30, 2004. Mr. Mathis indicated that the feedback DLGF has received on the proposed rule has been mostly positive.

Mr. Mathis turned to DLGF's legislative proposals. These proposals are itemized as follows:

- extension of several property tax abatement programs due to sunset on December 31, 2005;
- extension of tax increment financing due to sunset on December 31, 2005;
- replace parts of IC 6-1.1-13 and IC 6-1.1-14 with rulemaking authority;
- repeal land value commissions;
- modify statutes to be consistent with DLGF's equalization rule and annual adjustment process;
- repeal the rule that cost, depreciation, and reproduction cost schedules appear in the assessment manual;
- give DLGF more flexibility in handling appeals;
- give DLGF more authority to require Lake County to pay for the appeals process;
- give DLGF authority to prescribe computer systems used by county auditors;
- fund and implement a unified property tax software system that would integrate all 92 counties with state-level systems (see Exhibit 3);
- make the technical changes described in the cover memorandum to Exhibit 2.

Some of these proposals are described with additional specificity in Exhibits 2 and 3.

In discussion with the Commission, Mr. Mathis roughly estimated the maximum cost of implementing a unified property tax software system to be in the neighborhood of \$57 million, depending upon which of five possible options is selected.

Sen. Lawrence Borst initiated a discussion about tax increment financing (TIF) districts. He wanted to know whether a TIF district that raised money in excess of the amount required for the TIF project could redistribute that excess amount to local school systems. Sen. Borst indicated that if that redistribution could not be accomplished, he would like to see a memo from LSA on what it would take to permit that kind of redistribution.

Sen. Borst also gave his support to establishing a uniform property tax software system that would enable the computer systems of DLGF, LSA, county assessors, and county auditors to communicate property tax data. He stated that he would have no problem having the State pay for the distribution of the software to the counties.

Rep. Crawford obtained the Commission's consent to have LSA examine both of the issues Sen. Borst spoke about.

Rep. Crawford then thanked Mr. Mathis for his presentation and invited Philip Conklin before the Commission.

Proposal for a real estate transfer tax to fund cost of living adjustments and a 13th check for retired school teachers

Philip Conklin, lobbyist representing the Retired Indiana Public Employees Association (RIPEA), spoke to the Commission about increasing funding of the Teachers Retirement Fund (TRF). According to Mr. Conklin, due to financial market setbacks in recent years the TRF has had insufficient income in the teachers annuity account to fund a 13th check to retired teachers or cost of living adjustments (COLAs). Historically, the 13th check in a calendar year came from income generated by this fund. See Exhibit 4.

Addressing the question of how to pay for the funding increase, Mr. Conklin described his proposal for a real estate transfer tax that would be dedicated in part to funding a 13th check for retired teachers. The tax would work essentially as a sales tax on the value of real estate that is transferred between nonexempt parties. Mr. Conklin asked the Commission to recommend that the proposal be studied by the General Assembly. For additional information, see Exhibit 4.

Rep. Crawford thanked Mr. Conklin for his presentation and introduced Prof. Lynn Duggan to speak about the problem of wage inequity.

Review of issues related to wage equity (House Resolution 7 (2004) (Exhibit 5))

Lynn Duggan, Associate Professor, Division of Labor Studies, Indiana University (Bloomington), representing the Coalition for Wage Equity in Indiana, came before the Commission to ask the General Assembly to establish an Equal Pay Commission. Prof. Duggan's prepared testimony is found at Exhibit 6.

Citing statistics from various sources, Prof. Duggan drew the Commission's

attention to the substantial difference on average between the earnings of Caucasian men and the earnings of women generally or men from other racial or ethnic heritages. See Exhibit 6. Prof. Duggan explained that the cause for this disparity is unknown. The purpose of establishing an Equal Pay Commission would be to seek an improved understanding of that cause. Prof. Duggan went on to detail the consequences of wage inequity and the people affected.

Prof. Duggan then introduced **Michael Nickolson**, an employment lawyer and faculty member at Indiana University-Purdue University Indianapolis. Mr. Nickolson's prepared testimony is found at Exhibit 7.

Mr. Nickolson emphasized the bipartisan consensus that there is a problem with wage inequity. He also noted that statutes at both the federal and state level have proved to be inadequate instruments for establishing improvements in wage equity. Those statutes are ineffective in part because of the narrow ways in which "equal work" is defined.

Rep. John Aguilera asked whether this issue is something that the Indiana Commission for Women (ICW) could investigate. Prof. Duggan responded that the ICW is concerned with other issues and, consequently, the funding for investigating the question of wage inequity would probably be inadequate. Mr. Nickolson added that the problem of wage inequity is broader than a gender issue.

Commission members expressed concern about the cost of establishing a new commission, given the difficult financial situation in which the State now finds itself. Commission members raised questions in particular about funding for the data analysis aspect of the investigation. **Carol Rogers**, Associate Director for Information Systems & Services, Indiana Business Research Center, Indiana University, estimated that a thorough review of secondary sources could probably be accomplished within about three months at a cost of about \$20,000 to \$30,000. However, she cautioned that the cost for original research would be significantly more than that.

Rep. Crawford urged Prof. Duggan and the Coalition for Wage Equity to develop more precise cost estimates and perhaps think in terms of accomplishing the work they would like to do under the auspices of an existing commission or agency.

Adoption of Final Report

Rep. Crawford asked the Commission members to turn their attention to the Proposed Final Report (Exhibit 10).

Rep. Crawford solicited the consent of the Commission to strike the section on page 7 and page 8 titled "Family and Children's Fund and the Children's Psychiatric Residential Treatment Services Fund." The other Commission members consented.

Sen. Buell objected to the third paragraph under the section "Retirement Benefits" on page 10 of the Proposed Final Report, beginning with "The Association recommends that a real estate transfer tax be imposed" Sen. Buell asked that it be deleted from the Final Report. Rep. Crawford asked for the Commission's consent to Sen. Buell's proposed deletion. The Commission members consented.

With those two deletions, Rep. Crawford asked if the Commission consented to the adoption of the Proposed Final Report, as amended. The Commission consented and the

Proposed Final Report, as amended, was adopted as the Commission's Final Report.

Adjournment

Rep. Crawford thanked the members of the Commission for their work in addition to all the people who shared their ideas and perspectives with the Commission.

The meeting adjourned at 12:00 pm.